



Lesson Five

Why Do People Save?

Introduction:

Lesson Five introduces the concepts of consumption and saving. It will also help to prepare students for the upcoming bank day by presenting a rationale for saving.

Objectives:

- To introduce concepts of consumption and saving.
- To encourage savings goals.

Suggested Materials/Speakers:

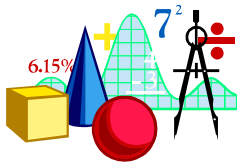
- *It's My Money: A Kid's Guide to the Green Stuff* by Ann Banks
- Invite the school principal or any community leader to speak on the importance of saving.
- Invite someone from the State Treasurer's office to speak on how the government saves money. Please call the State Treasurer's Savings Makes "Cents" coordinator to arrange a visit at 617-367-6900.
- Have a real estate agent come in to talk about buying or renting a house or apartment. What choices have to be made (i.e. urban or suburban; apartment, condominium, or house)? Then, based on this discussion, study the real estate section of the Sunday paper and choose a house/apartment to buy or rent. How much money will it cost to rent for a year? How much money will it cost to buy the house? What are the advantages and disadvantages of buying versus renting?

Suggested Activities/Homework:



Creative Arts

- Make a collage of things that someone you know would like. Include inexpensive things as well as expensive ones. What is the approximate cost of these things?
- Visit a bank with a parent or guardian. Draw or write a brief description of what you see in a bank (for example, bank tellers, people at desks, a guard, etc.). Bring in a deposit slip or brochure on a service the bank offers.



Math

- Estimate how much money you would save over the course of a year if you put aside a penny, a nickel, a dime, a quarter, or a dollar each week. Calculate the exact amount. Was this more or less than you estimated?



Language Arts

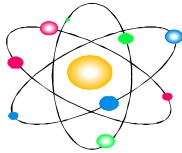
- Discuss whether you currently practice saving money. Did you save money to buy/make holiday gifts? List other reasons people save money.
- Create a list of questions to use in surveying local banks to compare their interest rates paid on savings accounts. Use these questions in letters to local banks. Compare their responses.
- Talk to parents and others about individual saving habits.

Social Studies



- When and where was the first bank in the United States opened?
- Where did people keep their money before banks existed?

Science



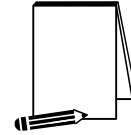
- Have a discussion on the safety of keeping money in the bank versus in your mattress? (for example, danger of fire)



Computer

- Use the computer to correspond with students in other parts of the country to find out the ways in which they earn, save, and spend money.

Attachments



- *Why Do People Save:* Lesson Material, Glossary and Web Sites
- *Banks Help You Save:* Example Chart of Money Earned Through Regular Savings

Why do People Save?

As we learned in Lesson One, money serves as a medium of exchange. For example, with \$10.00 we could go to a movie, buy a book, or get something to eat. No matter where we go in the United States, our money will be accepted because we have one currency for the whole country.

Today, there are plenty of opportunities to use or spend our money. There are millions of different products available to buy. Think about how many kinds of books or computer games are available. How many different items do you think there are in your local grocery store? With so many choices available, we need to pay attention to how we spend our money. This helps us to buy the things we really need.

Saving is the best way to make sure we will have money for the things we really want and need.

What is saving?

Saving means voluntarily putting aside money for future use. People often save a certain amount regularly with a particular goal in mind. Saving goals can be short or long term. Common short-term goals may include saving for a pair of jeans or a new CD. Long-term goals may include buying a car, saving for college or buying a house. Since no one can know for sure what his or her future needs or wants might be, it is important to put a portion of the money you receive aside for special expenses or an emergency.

Where do people put their savings?

Before banks were common, people often hid their money. They might have buried it in the ground, under a floorboard, or even put it under their mattress. Today, most people keep their savings in a bank. Banks offer special accounts called savings accounts. Savings accounts are useful for several reasons:

- They provide a safe place for people to keep their money. The bank stores its money safely in fireproof locked vaults.
- Savings accounts allow people to earn "interest" on the amount they save. **The bank pays interest to the saver in exchange for the use of the money while it is deposited in the bank.**
- Even though the bank holds your money, you can withdraw your money when you need it. This only applies to regular savings accounts. There are other accounts that pay higher interest to keep your money in the bank for a set length of time.

How much money should you save?

Generally, the amount of money people save is based upon how much money they earn, what immediate expenses they need to pay, and what they want or need in the future. A person who wants to buy a house will have to save more money than a person who wants to buy a computer. A good goal is to save 10% - 25% of your money.

The most important thing about saving is to save regularly. Try to save a portion of all the money you receive. Even if you cannot always save the same amount, saving some money is better in the long run than saving none.

Remember, having money means making choices. Few people are able to have everything they want instantly. Most people first need to save their money before they can acquire what they want. Could you buy a bicycle or a new jacket by yourself today?

You do not have to set aside so much that you don't have any money to spend, but try to set aside a little bit each week or month. For instance, if you receive a dollar you might try to save 25 cents. Before you know it, you'll have saved enough to buy something really special for yourself or for someone you care about.

GLOSSARY



Currency	Something that is in circulation as a medium of exchange (for example, coins, treasury notes, bank notes).
Interest	The fee a bank pays a depositor for keeping money in the bank; the fee a bank charges a borrower for borrowing money from the bank.
Loan	Money that a person borrows. Banks charge interest on the money they lend. Loans have to be repaid with interest within a specified time period. The bank uses the money to make loans to other bank customers.

RELATED WEB SITES

www.publicdebt.treas.gov/sav/sav.htm	About Savings Bonds
http://www.autoinfocenter.com/	Auto Manufacturer's Web Pages
www.publicdebt.treas.gov/sav/savkids.htm	Saving Bonds for Kids

Example Chart of Money Earned Through Regular Saving!

This chart shows different amounts of monthly savings assuming that the deposit is made on the 1st of each month and no withdrawals. It further shows interest accumulation at the interest rate of 2.50% and a 2.53 Annual Percentage Yield. Note: Each account has a \$10 deposit to open.

<i>Monthly Amount Saved</i>	<i>At end of 1 Year Total</i>	<i>At end of 2 years Total</i>	<i>At end of 3 years Total</i>	<i>At end of 4 years Total</i>	<i>At end of 5 years Total</i>
\$1	22.41	35.13	48.17	61.53	75.23
\$2	34.57	59.76	85.57	112.03	139.14
\$3	46.73	84.38	122.97	162.52	203.06
\$4	58.90	109.01	160.37	213.02	266.98
\$5	71.06	133.64	197.78	263.52	330.89
\$6	83.22	158.26	235.18	314.01	394.81
\$7	95.38	182.89	272.58	364.51	458.73
\$8	107.54	207.51	309.98	415.00	522.64
\$9	119.70	232.14	347.38	465.50	586.56
\$10	131.86	256.77	384.79	516.00	650.48
\$20	253.48	503.03	758.80	1,020.96	1,289.65
\$25	314.29	626.16	945.81	1,273.44	1,609.23
\$30	375.09	749.29	1,132.82	1,525.92	1,928.81
\$35	435.90	872.42	1,319.83	1,778.40	2,248.40
\$40	496.71	995.55	1,506.84	2,030.88	2,567.98